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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
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Federal-State Joint Board on  
Universal Service  
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) CC Docket No. 96-45  
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**AT&T COMMENTS ON WYOMING PETITION FOR WAIVER OF  
UNIVERSAL SERVICE TARGETING RULES**

Pursuant to the Commission's Public Notice, DA 00-1019, released May 8, 2000, AT&T Corp. ("AT&T") submits these comments in support of the petition for waiver of sections 54.309 and 54.311 of the Commission's rules, 47 C.F.R. §§ 54.309 and 54.311, filed by the Wyoming Public Service Commission ("Wyoming"). Wyoming requests permission to target forward-looking high-cost support and interim hold-harmless support for non-rural local exchange carriers ("LECs") to rate zones that Wyoming currently uses for establishing both retail rates and rates for unbundled network elements ("UNEs") instead of the wire centers required by the Commission's Ninth Report & Order and Eighteenth Order on Reconsideration, FCC 99-306, released November 2, 1999 ("Order"), in this proceeding.

AT&T supports grant of Wyoming's petition to rationalize the distribution of universal service support. Indeed, as AT&T showed in its petition for reconsideration of the Order, filed January 3, 2000 (at 5-6), to avoid creating arbitrage opportunities, the Commission should *require* that support be targeted to the high-cost deaveraged UNE zones and distributed on a uniform per-line basis within each zone. This would achieve the

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economically correct result, as requested by Wyoming, without the need for similar waivers.

Although the Commission targeted federal high-cost support for non-rural LECs to specific serving wire centers, it expressly permitted states to file petitions for waiver of the targeting rules, to enable the states to target support to an area different than the wire centers selected by the Commission, for example, the UNE zone. Order, ¶¶ 76, 86.

Wyoming has filed such a petition, explaining that it

"requests that it be permitted to target non-rural carrier federal high cost support to the established rate zones that are used for establishing both retail rates and rates for unbundled network elements in lieu of targeting the funds based on wire centers. By allowing targeting based on geographic rate zones, the federal and state support would compliment each other, while still allowing the funds to be directed to higher cost customers and keeping the funds portable to competitive carriers." Wyoming at 2.

AT&T fully supports this relief.

Indeed, AT&T believes that the Commission should *require* states to target support based on UNE zones so that support and the underlying costs of the elements used to provide service are more closely aligned. The Commission had stayed its rule requiring the geographic deaveraging of UNEs, in part, until it resolved issues of targeting high-cost.<sup>1</sup> Now that the Commission has achieved that objective, it makes no sense to proceed by allowing states to set UNE cost zones as if these issues were never linked. As GTE has explained, "use of different zones for USF, UNE loops and SLC could lead to a competitive

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<sup>1</sup> Implementation of the Local Competition Provisions of the Telecommunications Act of 1996: Deaveraged Rate Zones for Unbundled Network Elements, CC Docket No. 96-98, Stay Order, FCC 99-86, released May 7, 1999.

imbalance and uneconomic arbitrage and therefore should be avoided."<sup>2</sup> For example, if different zones are set for the USF and UNE loop rates, universal service funding may not align with costs.

As explained in the CALLS Reply Brief, "[t]o deaverage one set of prices or support to a different geographic level than the others will introduce additional arbitrage opportunities."<sup>3</sup> Providing high-cost support on a UNE zone basis and with a uniform amount of per-line support within each zone ensures that UNE prices and universal service support maintain a consistent relationship and avoids these undesirable consequences. The alignment of UNE cost and USF support would furthermore give entrants a better sense of the support that they would receive in a given zone before embarking on the decision to purchase UNEs. Moreover, requiring carriers to use the same zones for UNE loop and USF would avoid the need for the Commission to review of a multitude of state waiver requests.

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<sup>2</sup> GTE Comments, filed October 29, 1999, in Access Charge Reform, et al. (LEC Pricing Flexibility FNPRM), CC Docket Nos. 96-262, 94-1, 98-63, 98-157, at 13.

<sup>3</sup> CALLS Reply Comments, filed December 3, 1999, in Price Cap Performance Review for Local Exchange Carriers, et al., CC Docket Nos. 94-1, 96-45, 99-249, 96-262, at 15.

**CONCLUSION**

For these reasons, the Commission should grant the Wyoming waiver petition, and it should also reconsider the targeting requirements of its Order and require all states to use UNE zones for targeting of federal universal service support, thereby achieving the proper targeting result without the necessity of individual state waiver requests.

Respectfully submitted,

AT&T CORP.

By /s/



Mark C. Rosenblum

Judy Sello

Room 1135L2  
295 North Maple Avenue  
Basking Ridge, New Jersey 07920  
(908) 221-8984

Its Attorneys

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**CERTIFICATE OF SERVICE**

I, Susan Gadow-Schardt, do hereby certify that on this 22nd day of May, 2000, a copy of the foregoing "AT&T Comments on Wyoming Petition for Waiver of Universal Service Targeting Rules" was served by U.S. first class mail, postage prepaid, on the parties named below.

Steve Ellenbecker  
Steve Furtney  
Kristin Lee  
Wyoming Public Service Commission  
Hansen Building, Suite 300  
2515 Warren Avenue  
Cheyenne, Wyoming 82002

/s/   
Susan Gadow-Schardt